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*The Dynamics of Economic Development: Izmir and Western Anatolia, Late 19th/Early 20th Centuries**

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The prosperity and degree of economic growth, most evident in the closing decades of the nineteenth and in the early years of the twentieth centuries, that occurred in the wider western Anatolian region, which here includes the Anatolian coastline and the Aegean islands, that is the *Ege bölgesi*, was in many respects the culmination of an economic development that had started almost a century earlier. In this long century, despite periodic downward fluctuations, an overall upward trend of economic, and particularly commercial, growth was registered in the region and especially in Izmir.

By the late nineteenth century, Izmir had already developed the infrastructure of a major modern Mediterranean city-port, including complex harbor facilities and an array of public utilities, including gas lighting throughout the city, which was in the process of being electrified. It boasted of transportation facilities, which included railways and mass urban transportation; it disposed of health amenities, including a number of hospitals. Moreover, the city was known for its business and multi-cultural institutions and cosmopolitanism; its numerous multi-confessional, multi-lingual schools allowed the city "to possess the advantage of education in abundance".¹

As a city where its port held the key to its economic prosperity, its quay and harbor complex was one of the finest and safest in the Mediterranean at the time. Financed and built by a first-class French firm, it is considered a feat of nineteenth-century engineering. It put Izmir in the

forefront of Mediterranean ports.² However, what complemented the harbor complex was just as important and further evidence of Izmir's multi-faceted and on-going economic growth. For the business concerns, including the tramway and railway lines and their facilities that were established on the quay, the new businesses that sprang up in the harbor area and the development of the exclusive and high-value property area of Alsancak, in the non-industrial section of the quay, were all essential components of the dynamics of economic development of Izmir and its environs.

Furthermore, the city had a thriving middle class that owned and ran concerns in a growing light industrial sector as well as invested actively in commerce and related fields, including the carrying trade and finance. Members of this middle class spent their summers not only in the countryside surrounding the city, which was dotted with their summer residencies, but also in the Aegean islands and even further afield in Europe. They constituted the consumers of an incredible array of imported goods as well as were the customers of some of the utility companies. Outside Izmir the middle class was most prominent in the city's immediate environs, such as Buca or Bornova, as well as in the bigger Aegean islands and coastal towns. By the early twentieth century, as local entrepreneurs --Turkish, Greek, Armenian or Jewish--, as merchants, shippers and small-scale private bankers, as government officials, professionals and intellectuals, as western newcomers or as Europeans of long-standing residence in the region, this middle class were also the investors in the new, publicly-incorporated companies. As merchants or as *rentiers*, they were also the clients of the newly-established banks. Amongst its members were also included long-term European residents, known as *Levantine*s, whose villas are still to be seen in Izmir and its environs. Their families had been established in the city for many decades, the oldest families of whom had been there since the beginning of the nineteenth century.³ Although small in numbers, they were important in the city's economy and contributed to the cosmopolitanism as well as openness for which Izmir is legendary. As expected, these *Levantine*s were well represented in the most innovative and modern sectors of the regional economy.

It is perhaps no surprise that Izmir dominated the region taking a lion's share of its economic development and prosperity. No other urban center in the region equalled Izmir or even came close to its commercial and financial dominance. Indeed, in the late nineteenth century, the prominence of Izmir's commercial networks went far

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1 Great Britain, Parliamentary Papers, Accounts & Papers (London, 1890), Vol. LXXVII, p. 5. Hereafter, this series will be cited as PP, A&P.

2 For more information on the harbor of Izmir, see Elena Frangakis-Syrett, "The Making of an Ottoman Port: the Quay of Izmir in the Nineteenth Century", *The Journal of Transport History*, Vol. 22/1 (2001), pp. 23-46; see also, Mübahat Küçükoglu, *Izmir Tarihinden Kesitler* (Izmir, 1999) and Mübahat Küçükoglu, "Izmir rıhtımı inşaatı ve işletme imtiyazı", *Tarih Dergisi*, Vol. 32 (1979), pp. 495-558.

3 They should not be confused however with the European merchants established in Izmir, or elsewhere in the Ottoman empire, in the eighteenth century or even earlier. For until the nineteenth century, the residencies of these Europeans usually lasted for a decade, or so, after which they returned to their countries. For more details, see Elena Frangakis-Syrett, "Commerce in the eastern Mediterranean from the Eighteenth to the Early Twentieth Centuries: The City-Port of Izmir and its Hinterland", *International Journal of Maritime History*, Vol. X/2 (1998), pp. 125-136.

beyond western Anatolia and the Aegean to reach into Southern, Central and Northern Anatolia. From Bursa and Konya to Adana, the commercial influence of Izmir could be felt. After all, from the middle of the eighteenth century to the end of the Ottoman period, Izmir remained the most important export port of the Ottoman Empire. No other port rivalled it, not even the empire's capital. Furthermore, since the middle of the eighteenth century, Izmir had functioned as one of the premier redistributive ports in the empire and the principal one for Anatolia.⁴ It continued to do so in the period under study especially for the western Anatolian-cum-Aegean islands region.

Key to the role of Izmir and of its dominance within the region of western Anatolia and the Aegean Islands were its direct and multiple links with the international market. With some of these links dating in some cases as far back as the seventeenth century, by the late nineteenth century, they had become the most developed and competitive links with the international markets than of any other port or town in the region. In other words Izmir was the most efficient, though not the only, link with the world economy in the region. Unlike earlier periods, when a small market may have had traded more with the empire's major cities, Izmir, Alexandria or Istanbul, rather than, the rate of economic with each other, by the last quarter of the nineteenth century development had led to different patterns emerging. By then, medium-size centers in the region had developed their own links with each other. A hierarchy of market contacts had been created, which started with those markets that were in closest proximity to each other, as for instance the islands in the Aegean Archipelago, and stretched out to Egypt, Syria, Greece and other areas further afield, including the Balkans. At the same time, separate clusters of markets had emerged. Each cluster of markets included coastal towns and/or near-by islands and had an intermediate-size market as its center, which had often direct links with the international market, and particularly with Continental Europe, thus taking over some of the functions of Izmir. Such an intermediate regional market was the island of Rhodes with the near-by islands and the towns in the Karamanian coast acting as its cluster of smaller market centers. The presence of steam shipping companies, such as the Austrian Lloyds, with their regular shipping schedules in some of the region's bigger coastal towns and islands contributed to connecting these markets with the West efficiently, both in terms of time and costs. Indeed, the appearance of western shipping companies was itself both part of the dynamics and the result of economic growth attained by the region.

The role of Izmir as the premier entrepot for the region, although at times diminished, was never eliminated. It remained the central market around which all other regional markets, at one point or another, turned. This was so because the links of the smaller intermediate markets with the world economy remained fragile and volatile even in the late nineteenth and early twentieth centuries. This was more likely to be the case at times of downturns in the world economy. For instance in the 1880s, which coincided with

the Nineteenth-Century Great Depression of 1873 to 1896, the smaller markets in the western Anatolian coast and in the islands saw their direct links with the international market decrease or temporarily altogether cease. For large-scale western steam-shipping companies, as was the case with the Messageries Maritimes, cut back or ceased their shipping schedules with those markets.⁵ Decrease in local commercial activity, owing to the downturn in the world economy, had swiftly rendered these markets unremunerative. At such times Izmir, which was immune to such disruptions in its direct links with the international market, and whose commercial networks could adjust better, became once more the principal intermediary, as earlier, between these centers and the world's markets. The swift departure of large-scale western steam-shipping companies from the region shows the degree of fragility that was still embedded in the region's links with the international market. There was also a degree of volatility in the shipping routes, which could change equally suddenly, as far as these coastline towns and islands were concerned. The subsequent re-appearance of the western shipping companies, in the early twentieth century, when the world economy had entered its pre-WWI period of growth, was evidence of the economic recovery for the region, too. As for Izmir, the early twentieth century was a period of spectacular economic growth and modernization.

It was not only the fragility of the links of the smaller regional markets with the West that rendered Izmir so dominant. It was also the strength of the links of Izmir with the world markets that made its position so unassailable. Furthermore, the commercial networks of Izmir constantly developed, became more complex and encompassing, more cost-efficient and sophisticated, enjoying at all times better access to capital resources, thus outdoing any intermediate regional market in all ways except perhaps in the proximity of the latter to its cluster of markets. Apart from competitiveness, there were also vested interests embedded in the persistence of the already established commercial networks of Izmir which made their replacement or challenge all the more difficult. Nevertheless, and whilst the increasing efficiency and on-going tenacity, for various reasons, of Izmir's commercial networks may well have taken business and profits away from entrepreneurs in other smaller markets, it did not altogether undermine or stifle economic development in the region, as a whole, which grew noticeably in the period under study.

By the early twentieth century, the dynamics of economic development of the region were visible in a number of ways. There was growth in trading activity and the domestic market as well as in the rate of capital accumulation. There was growth in the banking and the light industrial sectors with the appearance in smaller towns of industrial concerns, at times alongside branches of western banks. There was growth in the construction of public works and roads. The way the entrepreneurs in the region reacted to the departure of European shipping companies during the Nineteenth-Century Great Depression is also evidence of the economic potential which was present by then not only in Izmir but also in the region as a whole. For the vacuum that was left by the departure of western companies was filled by smaller shipping companies which were primarily established and financed in Izmir. The latter started to operate on coastal routes, in the carrying trade between Izmir and the region's

4 For an analysis of the trade of Izmir in the eighteenth and early nineteenth centuries, see Elena Frangakis-Syrett, *The Commerce of Smyrna in the Eighteenth Century, 1700-1820* (Athens, 1992), *passim*; see also, Elena Frangakis-Syrett, "Trade Between the Ottoman Empire and Western Europe: The Case of Izmir in the Eighteenth Century" *New Perspectives on Turkey*, Vol. 2/1 (Spring, 1988), pp. 1-18.

5 PP, A&P (London, 1890), Vol. LXXVII, p. 29.

coastline town and islands, which had increased as a result. Despite the re-appearance of the western shipping firms in the early twentieth century, these local companies did not cease operations but some of them expanded them becoming active in longer sea routes, too. Moreover, by then, local shipping companies based for instance in Ayvalik or Antalya, had also started participating in the coastal trade between the region's markets and Izmir.⁶ And there were further efforts going on for more such companies to be established.⁷ It was all part of the dynamics of economic development in the region in the early twentieth century.⁸

II

Let us now proceed to a chronology of economic development for the region. With the growth in the world economy that occurred in the last quarter of the eighteenth century, the western maritime part of the Ottoman empire, in particular, started experiencing economic growth, too. For Ottoman ports, led by Izmir, were participating in the growing Ottoman-European trade, itself part of the expanding economy of the Mediterranean region. There was also increase in the Ottoman coastal trade as the empire grew, too, economically. Such growth was most evident in commerce and related activities, such as shipping and small-scale informal banking.

Contrasting this period of economic growth, which continued into the early nineteenth century, with the late nineteenth/early twentieth century, we find that they were notable similarities. During both turn-of-the-century periods, the world economy experienced unprecedented rates of economic growth. During both turn-of-the-century periods, parts of the globe were drawn irrevocably into the world economy. For the western Anatolian region, it was during the first period that its trade with the European markets, *almost exclusively through Izmir*, really took-off. This was also the period when there was discernable level of local capital accumulation enabling Ottoman merchants, --Turkish, Greek, Armenian and Jewish--, to *participate actively* in the international trade of the region. Political and military developments, besides economic trends, also helped the region during the first turn-of-the-century period. In the second turn-of-the-century period, growth in the world economy, propelled the region into a new level of economic development and modernization.

However, there were also important differences in these two time periods. The continuous wars of the late eighteenth and early nineteenth centuries were rather beneficial for the region's economy, unlike the political events and military conflicts of the decade 1912-1922, which ultimately hurt the western Anatolian-cum-Aegean islands region. This was because the wars that the European Powers fought with each other, in the years 1776-1814, caused considerable harm to their merchant marines and led to the opening up of their trading networks, in Ottoman-European commerce, to Ottoman merchants. As these developments occurred at a time of growth in the world economy as well as in Ottoman-European trade, it was easier for Ottoman merchants to enter British and French commercial networks that traded with the western Anatolian region. In contrast to the earlier

period, the military conflict of the early twentieth century brought upheaval to the entire eastern Mediterranean and broke asunder, politically and economically, the western Anatolian-cum-Aegean islands region as well as the Empire.

The potential for continuous economic growth that occurred in Europe at the aftermath of the Industrial Revolution, in the second quarter of the nineteenth century, made Free Trade in the world not only an accepted economic theory but also a desirable practice. It led, among other factors, to the signing in 1838 of the Free Trade Convention between the Ottoman Empire and Europe. As a result, two important developments occurred in the first half of the nineteenth century which radically changed the way trade was conducted in the western Anatolian region: local Ottoman merchants acquired free and open access to all the world's markets and European merchants ventured beyond Izmir to market centers in the coastline and islands as well as in the *region's interior*, further inland, in order to develop commercial networks and set up businesses.⁹ By 1850, European cotton exporters were venturing in the interior in order to buy the harvest in advance whilst others were setting up cotton ginning machines in Izmir or in its environs to pick out mechanically the seeds, hulls and debris from cotton for export. Disposing of greater capital resources and of larger business organizations than earlier, they pursued the world market more aggressively than ever before. However, the Europeans were not the only ones disposing of considerable capital and business organizations. Local merchants often rivaled them in both areas. Even when local merchants had started as brokers, working on commission in the Ottoman interior for a European firm established in Izmir, or when they acted as representatives in Izmir, with power of attorney, for a firm in Europe, they could still also do business on their own with the markets abroad.¹⁰ Although the biggest and best capitalized concerns in the local economy were usually owned by Europeans, no sector was ever monopolized by them. Ottoman Armenian, Greek, Jewish and Turkish merchants, alone or in partnership with each other, or with other European entrepreneurs, owned sizeable concerns in all sectors of the region's economy. The exception were large-scale infrastructure projects where European technology and capital predominated.¹¹ However, it is illustrative of the level of capital accumulation and economic growth evident in the region by the early twentieth century that smaller-scale infrastructure projects were undertaken locally, subject to their being financed successfully, as the case of Kusadasi illustrates,¹² or as the

6. PP, A&P (London, 1908), Vol. CXVI, p. 19.

7. PP, A&P (London, 1906), Vol. XCIII, p. 18.

8. PP, A&P (London, 1914), Vol. XCV, p. 25.

9. For more analysis of these issues, see Elena Frangakis-Syrett, "The Implementation of the 1838 Anglo-Turkish Convention on Izmir's Trade: European and Minority Merchants", *New Perspectives on Turkey*, Vol. 7 (Spring, 1992), pp. 91-112; see also, Resat Kasaba, *The Ottoman Empire and the World Economy* (Albany, NY, 1988), pp. 70-75.

10. E.g., Public Record Office, London, FO 195/942, J. Langdon to British Consul, Izmir, 9 June 1870; see also, FO 195/1075, Zantopoulos & Ghisi to British Acting-Consul, Izmir, 15 July 1875. Hereafter, these archives will be cited as PRO.

11. Concerns such as the railways serving western Anatolia and the gas company or the tramway companies serving Izmir were European companies.

12. PP, A&P (London, 1908), Vol. CXVI, p. 23.

case of Mitylene shows,¹³ where the island's quay was financed by the local authorities, through loans raised, at least in part from within the region, and paid for by local levies.

The rapid expansion of the business activities of the Scottish firm of MacAndrews Forbes & Co. in western Anatolia, in the latter part of the nineteenth century, is a good example of the aggressive and all-encompassing commercial strategy that was by then emerging among the larger businesses in the region's commercial sector. Within 25 years or so, from the 1860s, when they first established themselves in the region, they had expanded their business, as liquorice root purchasers and exporters, all over the Meander valley, including the districts of Söke, Aydin and Nazilli. By the late 1880s, the firm laid claim to almost the entire Meander valley and its tributaries for liquorice operations and invested in factories for treating the root into the much more lucrative commodity of liquorice paste for export particularly into the American market.¹⁴ In aiming to control the entire chain of operations and thus acquire an advantage over rivals as well as to ensure adequate supplies, MacAndrews Forbes & Co. leased the fields where the root grew and, when needed, paid seasonal laborers to dig it out. They even became tax-farmers of liquorice.¹⁵ This was a tactic often used by better-off merchants, European or local, in order to acquire greater control over the produce.

Despite their all-encompassing tactics in the liquorice trade, MacAndrews Forbes & Co. could not eliminate the competition they constantly faced not only from larger firms but also from small European or local companies. For instance, for years their operations in Söke and Aydin were constantly frustrated from the on-going competition they faced from local petty traders. The latter would induce the villagers to sell their produce to them by offering them higher prices although MacAndrews Forbes & Co. had already leased the fields from the producers in question.¹⁶ This was not unique to the liquorice trade. From the early nineteenth to the early twentieth centuries, in Izmir as much as in the rest of the western-Anatolian-cum-Aegean Islands region, all branches of trade remained highly competitive and open to all participants. Indeed, competition was prevalent in all sectors of the region's economy. For instance, in shipping, deep sea and coastal, an area complimentary to trade, competition was no less fierce.

This was so in mining, too. Unlike trade, mining required a considerable amount of capital resources and a long-term investment strategy in order to be exploited successfully. Concurrent to their activities in the liquorice export trade, MacAndrews Forbes & Co. also invested, since the 1860s, in owning and running lignite and manganese mines, in particular, as well as in exporting the region's minerals.¹⁷ MacAndrews

Forbes & Co. were able to remain active in both sectors, although they were not as dominant in the mining sector as

they were in the liquorice export trade. An example of the competition they faced as exporters of minerals can be seen from a dispute they entered into when trying to maintain their share of the lucrative emery export market, in the 1900s, and to thwart the attempts of a large-scale American exporter to monopolize the emery produce of the region. The latter was buying, on behalf of a group of buyers in America, the emery produce in advance from mineowners in the region, in ways similar to what MacAndrews Forbes & Co. had been trying to do with liquorice growers. A Turko-Greek emery mine owning partnership were amongst the producers thus contracted in advance by the American exporter. For a number of reasons, the mine owners apparently considered the contract null and void and agreed to sell to MacAndrews & Forbes, who had been their customers in the past, their emery produce which was also considered to be top quality. MacAndrews Forbes & Co., who had themselves ties to the emery market in the US, had induced the mine owners to sell them the emery by giving them a higher price. This was just what their rivals had been doing in the liquorice export trade! The American exporter, not surprisingly, disagreed as to the nullification of the contract and sequestered the goods in question. The dispute continued showing the lucrative nature of the emery export trade of the region and the tough competition surrounding it.¹⁸

If no commodity could be monopolized in the export trade, it was even less so in the import trade. This held even when a bigger company than MacAndrews Forbes & Co. was involved, namely, the Standard Oil Company of New Jersey. This was an American trust that appeared in the western Anatolian region, for the first time in 1911, to meet the growing demand for petroleum imported for domestic and industrial use. It soon made petroleum the first US export in the western Anatolian market. Apart from huge capital resources, the trust disposed of the latest technology and a superior corporate structure that went far beyond what the Scottish firm had aimed to achieve in its tactics for control of the market. For the trust aimed to place the marketing of petroleum in the western Anatolian market within a selling and distribution network which was *truly* global.¹⁹ Within only two years from the start of its operations, the US corporation had invested considerable funds in infrastructure and materials in the region including a factory they built in Izmir to make tins and cases to store the oil.²⁰ However, smaller importers of petroleum continued to operate in the islands and coastal towns. Ultimately the American trust could not eliminate its competitors, any more than the Scottish company had been able to do earlier.

The dynamics in the commercial sector were such that allowed the smallest competitor to survive and claim a place in the market for himself. Whilst capital resources were important, so were other assets, such as a profound knowledge of the market and the tastes of the consumers. Extensive personal contacts into the smallest of markets in the coastal towns or the interior, and their credit networks, were another important asset. All this gave an edge to the

13. PRO, FO 195/2112, British Consul, Izmir, 14 March 1901 to British Ambassador, Istanbul.

14. PRO, FO 195/1620, MacAndrews Forbes & Co., Izmir, 10 July 1888.

15. PRO, FO 195/1161, MacAndrews Forbes & Co., Söke, 29 Jan. 1878.

16. PRO, FO 195/1161, British Consul, Izmir, 11 Oct. 1878 to Governor General, Vilayet of Aydin.

17. PRO, FO 195/2134, Izmir (1902).

18. PRO, FO 195/2090, British Consul, Izmir, 14 April 1900 to British Ambassador, Istanbul.

19. National Archives, Washington DC, RG 84, Vol. 19, US Consul General, Istanbul, 11 May 1912 to US Ambassador, Istanbul. Hereafter these archives will be cited as NA.

20. NA, RG 84, Vol. III, US Consul General to US Ambassador, Istanbul, 17 July 1914.

local merchant in the region's *import trade*, in particular, which was carried out in many mostly small-scale transactions. The use of credit to overcome the tightness of money, which was most prevalent amongst Ottoman entrepreneurs and less so amongst the Europeans, also affected the dynamics of trade in fundamental ways. For instance, a manufacturer in London or Hamburg would have to sell his goods usually on short or medium-term credit to a locally-established importer. For the importer, whether in Izmir, Mitylene or Antalya, or even in a growing commercial entrepot such as Mersin on the southern Anatolian coast, would have in most cases to sell the goods onto the next person in order to pay the manufacturer or the dealer in Europe. The importer was thus more likely to be an Ottoman than a European, with a knowledge of and access to the local market, for the subsequent wholesale or retail of the goods. The importers themselves may at times sell on credit, too; as local merchants, they were likely to be better informed on how long it would take for the goods to be sold in the local markets and for their credit to be repaid. Although European merchants were involved, too, in the import trade, the latter sector remained dominated by local entrepreneurs.

In the export trade, the dynamics were rather different and favored large-scale mostly European exporters.²¹ For knowledge of the international market was paramount as were contacts and information concerning market conditions and prices miles away. By the early twentieth century, the Levantine market was very sensitive to fluctuations in the world prices, particularly for its principal goods. Exporters had to react accordingly. Moreover the practice, which probably reached its apogee in the 1900s, of speculating on such exports as fig, cotton or raisin futures, sometimes pushing prices in the market in Izmir or in other regional markets higher than what the world market could sustain, was risky and made the need for good information of international price and market trends crucial.²² The need for a certain amount of capital resources, or access to them, to pay the Ottoman producers for their goods also favored large-scale exporters. For unlike the import trade, where credit was used extensively, the export trade was carried out mostly in cash. Indeed, the export trade was the best capitalized sector in the local economy and its growth can be taken as an indicator of the region's prosperity and development. By the early twentieth century, in order to be more competitive, exporters aimed to control as much of the entire chain of operation, from the place of production to the export market, as possible. The example of MacAndrews Forbes & Co. illustrates this tendency well. The extraction of the region's rich mineral resources and their transfer from the interior, where they were mined, to coastal port-towns for export abroad, was a growing sector in the local economy in the late nineteenth/early twentieth century. Like the export trade, mining also required large capital resources

and Europeans were prevalent. However, by the early twentieth century local entrepreneurs, Muslim and non-Muslim, did also feature as mine owners and as exporters of minerals for the level of local capital accumulation attained in the region, by then, allowed for such participation.

III

In many respects, the late nineteenth and early twentieth centuries witnessed the culmination in the rate of economic growth and capital accumulation in the region for the Ottoman period. A symptom and a result of this development was the establishment of branches of large-scale western banks in the region.²³ Apart from the Imperial Ottoman Bank and the Crédit Lyonnais the region, led again by Izmir, experienced, in the early 1900s, a "rush" of bank openings in its midst, including the Bank of Athens, the Bank of the Orient, The Deutsche Orient Bank and the Bank of Salonica, among others.²⁴ These were mostly branches of western banks which were themselves *filiales*; that is, they were created by western financial institutions to serve, expressly, the wider eastern Mediterranean region. Besides being established in Izmir, which was one of the most important financial centers in the empire at the time, western banks also made their appearance in the coastline towns of western Anatolia and in the islands. The opening of a branch of a bank was dependent on the degree of commercial and related activities in a specific market. By 1912, even further afield than the area under study, in the district of Adana, branches of several banks were in operation: the Imperial Ottoman Bank, the Deutsche Oriente Bank, the Bank of Salonica, the Ziraat Bankasi and the Bank of Athens. All of these banks had branches in either Mersin, Tarsus or Adana.²⁵ The presence of the Imperial Ottoman Bank branch, at that point in time, was not incidental.²⁶ In the early twentieth century, the Imperial Ottoman Bank was embarking on an active program of branch openings in the Ottoman provinces. It was doing so for two reasons: firstly, the level of economic development in a number of areas in the empire called, by then, for such an expansion of its activities. Secondly, the presence of other western banks in the region made it imperative for the Imperial Ottoman Bank, if it did not want to relinquish the business and prestige to other western banks, to open as many provincial branches in the empire as possible. Indeed, in the early twentieth century, an important rival of the Imperial Ottoman Bank was the Bank of Athens which also had a very large network of branches in the Ottoman empire. It was present, by then, in western Anatolian towns and in some of the islands in the Aegean, too, to serve the needs of both Ottoman and western merchants and entrepreneurs. Moreover banking, being closely related to commerce, was as competitive as trade. Unlike trade however, large-scale banking was dominated by western capital.²⁷

- 21 Elena Frangakis-Syrett, "Concurrence commerciale et financière entre les pays occidentaux à Izmir pendant le XIXe et début XXe siècles", J. Thobie, R. Perez & S. Kançal, eds., *Enjeux et Rapports de Force en Turquie et en Méditerranée orientale* (Paris/Istanbul, 1996), pp. 117-127; see also, Salgur Kançal, "Fin de l'empire ottoman: insertion dans la division internationale du travail (1880-1913)", *Tebliğler. Milletlararası Türkiye Sosyal ve İktisat Tarihi Kongresi* (Ankara, 1990).
- 22 Archives du Ministère des Affaires Étrangères, NS, Vol. 480, Minister of Commerce to Minister of Foreign Affairs, Paris, 3 Nov. 1905.

- 23 Zafer Toprak, *Türkiye'de Milli İktisat (1908-1918)* (Ankara, 1982), p. 135.
- 24 Jacques Thobie, *Intérêts et impérialisme français dans l'empire ottoman (1895-1914)* (Paris, 1997), pp. 449-482.
- 25 NA, RG 84, Vol. 18, US Report on Commerce, 1912.
- 26 On the Imperial Ottoman Bank see, e.g., C. Clay, *Gold for the Sultan* (London, 2000), *passim*; Edhem Eldem, *A History of the Ottoman Bank* (Istanbul, 1999), *passim*; A. Biliotti, *La Banque Impériale Ottomane* (Paris, 1909), *passim*.
- 27 Elena Frangakis-Syrett, "Banking in the eastern Mediterranean in the early twentieth century", paper

Whilst the operations of western banks in the region were clearly a symptom of the degree of economic development they also further reinforced it by alleviating one of the most serious and chronic problems of the region's economy - tight money. The easing of credit and the lowering of interest rates that ensued were, in great part, the result of their activities.²⁸ Smaller markets in the region were also positively impacted upon, although to a lesser degree, with credit availability diminishing as one went further inland. For the local private bankers in Izmir and the coastal towns and islands as well as for the individual merchants of all ethno-confessional backgrounds, who became the clients of these banks, the easier access to credit brought important changes in the dynamics of the market and in the evolution of trade in the region overall.

IV

Greater local capital accumulation was also evident in the creation of public companies that were set up in the late nineteenth and early twentieth centuries. They dealt with all sectors of the economy. However, the export trade was, once again, well represented amongst them, even if sometimes indirectly so, as for instance in the case of the mining companies. Although these public companies were usually incorporated in Europe, local entrepreneurs often took the initiative in their formation and financing. Whereas banking was dominated by western capital, the shareholders of these companies came from the business circles of the region and particularly from Izmir which had, by far, the largest number of the region's investors. The capital resources of these public companies were certainly no match when compared to the capital resources of the banks. However, they were much larger when compared to the capital resources of the companies that had formerly dominated the local economy. The earlier companies, whether owned by Ottoman entrepreneurs or by westerners, had been mostly family firms. This was also the case for companies owned by long-term European residents of Izmir and its environs, the *Levantine*s. The public companies of the early twentieth century represented greater sophistication in the level of organization of the local economy, too.²⁹

The vibrancy and degree of modernization of the local economy can further be seen from another important economic development of the period - the creation in the export trade, in the early 1900s, of syndicates or amalgamated companies. They represented much larger capital resources than the public companies. They were established primarily in order to strengthen further local capital resources in the commercial sector, to ensure a greater control of operations, to increase competitiveness and, finally, to enlarge the scale of activities. Although their capital resources were evidently smaller than the trusts that

emerged in the western European or American economies in the early twentieth century, the concentration of capital and the market strategy evident in their creation were in line with similar developments in the world economy.

The two most important syndicates of the time were the Oriental Carpet Manufacturers Ltd. and the Smyrna Fig Packers Ltd. As it might be expected both syndicates were established in Izmir and had the city as their corporate headquarters, although they pulled in resources of entrepreneurs from all over the western Anatolian region.³⁰ The Amalgamated Oriental Carpet Manufacturers Ltd., set up in 1908, fused into one big concern most of the bigger carpet-making as well as carpet-exporting firms in the region. It aimed to combine both production and marketing of carpets within its own organization.³¹ Another important aim of the syndicate was for the Izmir-based firms to take control of the Anatolian carpet industry from their Istanbul rivals. The venture proved to be a successful operation judging from its enlargement within only a few years from the start of the syndicate's operations.³² The dynamics of the market ultimately favored the Izmir over the Istanbul group as well as a large-scale unified production and marketing process over small-scale manufacturers and exporters.

The Smyrna Fig Packers Ltd., set up in 1912, was a syndicate of a large number of local, mostly Greek and Armenian, and western fig exporters; some of the western firms were again long-term residents of the region.³³ The syndicate aimed to infuse the sector with larger capital resources and better technology in the packing of figs in order to become more competitive in the world market.³⁴ At the same time there was another group of entrepreneurs with established, although informal, links to each other in the fig trade: they were the Turkish owners of the camels that brought the fruit from the interior to Izmir for sale and were also the employers of the large number of laborers hired in the city to prepare and pack the figs during the export season.³⁵ The two groups aimed to control different parts of the operation and were at times at odds and at times cooperated with each other as market conditions favored one group over another.

By the closing decades of the nineteenth and in the early twentieth centuries the region, led again by Izmir, and followed by the bigger towns in the coastline or in the islands, was developing a light industrial sector. Such developments were part of the diversification and modernization of the local economy as well as of the potential for investment in other sectors besides trade. The most important light industry in the region was carpet-making, referred to above, for which western Anatolia was world famous.³⁶ It was mostly organized on a putting-out system although there were also large carpet-making

presented at International Conference, London School of Economics, Sept. 2000.

- 28 Elena Frangakis-Syrett, "The role of European banks in the Ottoman Empire in the second half of the nineteenth and in the early twentieth centuries", Alice Teichova, G. Kurganvan Hentenryk & Dieter Ziegler, eds., *Banking, trade and industry* (Cambridge, 1997), pp. 263-76.
- 29 Elena Frangakis-Syrett, "L'économie d'Anatolie occidentale, 1908-1914", M. Bazin, S. Kancal, R. Perez, J. Thobie, eds., *La Turquie entre trois mondes* (Istanbul, 1998), pp. 239-248.

30 PRO, FO 195/2360, British Consul, Izmir, 1 Oct. 1910 to British Ambassador, Istanbul.

31 PRO, FO 195/2331, British Consul, Izmir, 27 April 1909 to British Ambassador, Istanbul.

32 PRO, FO 195/2383, British Chamber of Commerce to British Consul, Izmir, 12 Dec. 1911.

33 NA, RG 84, Vol. 19, US Consul General to US Ambassador, Istanbul, 11 May 1912.

34 NA, RG 84, Vol. 12, US Consul, Izmir, 25 April 1912 to US Ambassador, Istanbul.

35 NA, RG 84, Vol. 9, US Consul Izmir, 11 Aug. 1908 to US Ambassador, Istanbul.

36 E.g., Charles Scherzer, *La province de Smyrne* (Vienna, 1873), pp. 170-72.

factories in Izmir employing sizeable numbers of workers. Overall the sector, which catered primarily for the international market, was employing a large network of brokers, dyers, spinners and weavers. It was encompassing the whole process, from the collection of wool as a raw material to preparing the final product for the international market.³⁷ Moreover, it was a flourishing sector whose entrepreneurs were spread out all over western Anatolia, besides Izmir, thus contributing to the economic development of the entire region. Furthermore, local entrepreneurs were well represented in this sector, especially Ottoman Turks, Greeks and Armenians.³⁸ In the late nineteenth and early twentieth centuries carpet-making was visibly growing. This was the result of a number of factors including growing demand in the West for western Anatolian carpets, the ability of local entrepreneurs to dispose of greater capital resources, their competitive edge over other rivals and the improved organization of the sector, which had culminated in the creation, as we saw above, of the biggest trust in the region, the Oriental Carpet Manufacturers Ltd. Production of foodstuffs also figured prominently in the light industrial sector, either for consumption within the wider region, or for export to nearby markets, such as those of the Balkans, Egypt or Syria. The example of flour-making --milling was particularly flourishing-- is an interesting one and shows the dynamics at work in this sector: within a few years Izmir as well as other centers in the region, such as Antalya, went from being importers of flour to being self-sufficient and even sending their surplus produce to regional markets or exporting it abroad.³⁹ In addition, there were factories that extracted oil from olive stones and sesame seeds, or produced perfumery, soap, macaroni and confectionery as well as tanneries, saw mills, textile factories, dyeing works and printing presses.⁴⁰ Certainly, such factories were to be found in greater numbers within Izmir, where a separate industrial section had grown, and in its suburbs. Nevertheless, in the early twentieth century, factories were also being established in the region at large - for instance, hydraulic flour mills, oil-presses, soap factories and agricultural machinery repair-centers in Antalya and Ayvalik, steam-flour mills and ship-building yards in Chios, soap and cotton factories in Mitylene, soap factories and tanneries in Rhodes.

The region was also enlarging its infrastructure and public utilities. Both of the region's principal railway lines, operated respectively by the Smyrna-Aidin Railway Company and the Smyrna-Cassaba Railway Company, were being extended. On the eve of WWI, in Izmir and in its suburbs, substantial bank buildings, business premises and warehouses, theaters and schools were being built. Besides the tramway running the length of Izmir's sea front, two further tramway lines linked the city with its suburbs of Göztepe and Karşıyaka; moreover the former tramway line and the route it traversed were about to be electrified. In

Izmir itself, whose streets were being lit by electricity, local government offices, businesses and even some private homes had telephones. The quay and harbor business complex was being further developed and a new jetty was being added to the facilities of the Aydin Railway. Moreover, an automobile goods and passenger service between Manisa and Bornova was being planned. Telephones services were being put in the towns of Odemiş Baidir and Kirkağaç and the roads at Buca were being lit by electricity. And further projects of transportation and public utilities including gas, water, electricity and telephones were being envisioned for other towns in the region, beyond the immediate environs of Izmir, as part of the further urbanization of the region. It was all part of the dynamics of development in Izmir and western Anatolia in the closing decades of Ottoman rule, during which the region overall experienced economic growth and modernization to a remarkable degree.

In the closing decades of the nineteenth and in the early years of the twentieth century, the empire reached its highest level of integration, mainly through trade, in the world economy whilst the latter entered a period of unprecedented growth and development. The western, maritime part of the Ottoman empire stood to benefit most from such economic trends. Perhaps nowhere were these developments better represented than in the western Anatolian-cum-Aegean islands region and in its most important economic center, Izmir, which underwent a period of remarkable economic growth.

The international market remained a crucial element in the region's prosperity, affecting its most vibrant sector, namely the export trade. After all, until the end of the Ottoman period, trade remained the backbone of Izmir's as well as the region's economy and the bell-weather for their continued prosperity. However, alongside external trade, there was also increase of intra-regional trade as a result of the internal dynamics of economic growth at work in the region. A further result of such dynamics was the development of other sectors of the local economy, besides trade, as the region diversified and modernized.

As a period of on-going economic growth, the late nineteenth/ early twentieth century affected the regional economy in another fundamental way, *namely in the increase in the level of local capital accumulation*. For there had to be an adequate level of local capital accumulation, aided by western capital, to allow for investment to take place not only in the growing commercial sector, but also in other sectors where returns were on a longer-term basis, such as food processing or local small-scale infrastructure projects. Furthermore, such investment led to the diversification and modernization of the economy which were essential components for the continued prosperity and development of the region. They, in turn, contributed to attracting more western capital, and in particular finance capital, in the form of branches of large-scale western banks. The importance of the appearance of western banks in Izmir and in the region overall should not be underestimated for the impact the banks had in the region's economy overall, and in the commercial sector and in the mechanisms of credit, in particular, was notable. In addition, it was developments in the world economy, such as overseas investment of capital and technology, often through financial institutions, that led to the building of the large-scale complex infrastructure and public utilities

37 Donald Quataert, "Machine Breaking and the Changing Carpet Industry of western Anatolia, 1860-1908", *Journal of Social History*, Vol. 19/3 (Spring, 1986), pp. 476-78; see also, Donald Quataert, "Ottoman Manufacturing in the Nineteenth Century", D. Quataert, ed., *Manufacturing in the Ottoman Empire* (Albany, NY, 1994), pp. 107-111.

38 PRO, FO 195/2331, British Consul, Izmir, 25 Feb. 1909 to British Ambassador, Istanbul.

39 PP, A&P (London, 1908), Vol. CXVI, p. 9; see also, *ibid.* (London, 1908), Vol. CXVI, p. 19.

40 PP, A&P (London, 1912-13), Vol. C, pp. 16-17.

concerns that Izmir, and by the end of the period under study the region at large, acquired. Such concerns were vital for the modernization of the local economy as well as for the rate of local capital accumulation, including the creation of syndicates in Izmir. Finally, the strongest evidence for the economic vibrancy of the region was the fact that although Izmir grew and modernized at a spectacular rate, the region's other bigger towns were not left behind but grew proportionately.

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